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GENERAL AND REVENUE SECRETARIAT.

Serial Nos.

Part B. for

SUBJECT.

Private circular from the Board of Directors to the Shareholders and Debenture holders of the Maharaja of Mysore Spinning and Manufacturing Company. Ltd. Bangalore.

Sl. 1 Circular d 11 9 1893 from the Agents, The M. M. Spg Co
Sends a printed copy of the private circular from the Board of Directors to the shareholders of the Company.

Private Circular from the Board of Directors.

FOR THE SHAREHOLDERS AND DEBENTURE-HOLDERS OF THE MAHARAJAH OF MYSORE SPINNING AND MANUFACTURING CO., LD. ONLY.

Since issuing their private report to the shareholders in April last, regarding the position of the Company's affairs, the matter has been further considered by the Directors, who are of opinion that the re-construction of the Company is the last, if not the only, means available of turning the Mill into a paying concern, and they accordingly recommend that the Company be re-constructed on the following basis.

The re-construction of the Company involves the voluntary winding up of the Company and the transfer of its assets and liabilities to a new Company.

At the present moment the Shares of the Company are practically unsaleable, and the Assets of the Company at their present market value, if sold under pressure when the Mill Industry in India is in such a wretched condition. The sale of the property under such conditions might be unfavourable, even to the debenture-holders. The new loan for supplying working capital invited by the Directors' private circular of April last has not been subscribed. Further working capital is absolutely necessary, and as it cannot be obtained it is obvious that the Company cannot carry on its business, and therefore must be re-constructed.

If the Company were wound up at the present time, simply with a view to the liquidation of its affairs, and not with a view to re-construction, your Directors believe that, although the property cost double its liabilities, were it sold now it would be disastrous to the shareholders in respect of their shares; and that it is even doubtful if debenture-holders would come out without loss, owing to the sudden collapse of Mill Industries in Bombay, caused by the Secretary of State's action in closing the Mints. The Mill Industries now in Bombay are in a most depressed state, and it can be seen from the *Bombay Gazette* and *Times of India*, the very sudden fall in Mill Stocks, which were at Rs.1,000 are now Rs.500 and some at Rs.300, it is certain that the mill property of the Company if sold when this depression is raging, would have to be sold at a great sacrifice.

The main features of the scheme for re-construction which the Directors now propose for the consideration of the shareholders, are, first, that the new Company should have a nominal capital of Rs.7,00,000, divided into 2,800 shares of Rs.250 each, and that the present shareholders should agree to accept one such share of Rs.250 for every five shares of Rs.100 each held by them in the present Company. Shareholders holding less than 5 shares will receive part of a share of Rs.250 representing their interest on the reduced capital. Secondly, that the Agency of the new Company should be entrusted to the firm of Messrs. P. Chrystal and Co., who are willing to undertake the same on the terms hereinafter mentioned; and thirdly that the new Company should be formed and registered in Bombay and have its registered office in Bombay.

It will be seen that by accepting one share of Rs.250 in the New Company in exchange for every five shares in the Old Company the result to the present shareholders of the Company will be that the nominal value of their shares will be reduced by one-half, and that that amount of capital will be written off.

The present subscribed capital of the Company is Rs.4,43,000. In order to give one share of Rs.250 in the New Company to the holder of every five shares in the Old Company 886 shares in the New Company would be required.

This would leave 1,914 shares of Rs.250 each in the New Company undisposed of. These 1,914 shares would be first offered to the present shareholders, at par. With the capital subscribed for these 1,914 shares it is intended to pay off the mortgages held by the Mysore Government and the debenture holders. Messrs. P. Chrystal and Co., to whom it is proposed to transfer the Agency, hope to be able to dispose of all the 1,914 shares which are not taken up by the present shareholders, before the debentures fall due.

As regards the Agency being given to Messrs. P. Chrystal & Co., Messrs. James Scott & Co., who hold shares of the nominal value of about Rs.2 lacs are quite content that the management should be entrusted to this firm. Amongst the other qualifications of Messrs. P. Chrystal & Co., for the Agency the following may be mentioned: This firm has had about 25 years' experience in the selection and purchase of cotton in the Southern Maharatta country and Mysore, whence the cotton of the Maharajah of Mysore Spinning and Manufacturing Company has been purchased. The partners in the firm now resident in India, *viz.*, Messrs. Subarao, Appajee, Telang and Narayen, Anappa Sirur, belong to the Southern Maharatta country, and speak the Kanarese language, and thoroughly understand the methods of the cotton merchants and weavers of that district. They have a large connection with the purchasers of yarn in that district, and thoroughly understand the class and quality of yarn required there; and the Southern Maharatta Mill, Hubli, is only three quarters of a day's journey by rail from the Maharajah Mill, which is considered a very short distance in India.

The following facts and figures show how successful Messrs. P. Chrystal & Co. have been in their management. as Agents of the Southern Maharatta Spinning and Weaving Company's Mill, of which they have been Agents for the last 12 years.

The Southern Mahratta Spinning and Weaving Company, Limited, was registered in Bombay in 1881, with a nominal capital of Rs.6,00,000 divided into 2,400 shares of Rs.250 each. Up to June 1885 only Rs.3,03,000 of this capital had been subscribed, and it became necessary therefore to raise Rs.2,00,000 by debentures secured by a mortgage of the Mill. By this means the Company was enabled to have 10,752 spindles at work. At that time the shares were quoted at about Rs.210. Messrs. P. Chrystal & Co. succeeded in getting the remaining capital subscribed, chiefly by the shareholders of the Company, and paying off all the debentures. By these means the Company was enabled to increase the number of its spindles to 18,960, at which number they now stand:—

The following statement will show what profit the Mill has made during the last 7 years.

	Total profits.			Dividend.
1887	87,867	13	0	... 10 per cent.
1888	1,23,875	7	0	... 11 ,,
1889	1,21,205	2	8	... 10 ,,
1890	1,08,349	5	7	... 10 ,,
1891	92,991	3	0	... 10 ,,
1892	93,102	12	0	... 10 ,,
1893	1,20,716	12	1	... 10 ,,

The amounts standing to credit of the depreciation fund and to the Reserve Fund respectively on 30th June 1893, were Rs.2,03,946-6-9 and Rs.60,336-1-6.

The present quotation of the shares of the Southern Maharatta Spinning and Weaving Company, Limited, is Rs.325, with dividend of Rs.12½ falling due 31st August 1893.

Messrs. P. Chrystal & Co. are willing to take up the Agency of the new Company for a period of 25 years from the date of the registration of the proposed new Company, upon the following terms as to renumeration. They are to receive—

1 pie per lb on the yearly production of yarn, whether any profit is made by the Company or not.

1½ pies per lb on same if a profit of 4 per cent., but less than 6 per cent is made.

2 pies per lb on same if a profit of 6 per cent. but less than 9 per cent. is made.

3 pies per lb on same if a profit of 9 per cent. or more is made.

The net profits to be ascertained by deducting cost of cotton and all material and things consumed and all working expenses and charges, but without and before deducting anything set aside for repairs, replacement or additions to any building or machinery, or anything set aside for deterioration, reserve and other funds.

In addition for this they will require an allowance to meet personal and office expenses. The amount of this allowance to be fixed by the Board from time to time.

Messrs. P. Chrystal and Co. will undertake to procure for and on behalf of the new Company from time to time whatever money is required for the efficient working of the Mill, the loans being taken in the name of the new Company and secured by a first lien or charge on the floating stock of the new company. Messrs. P. Chrystal and Co., provided they are appointed agents of the Company upon the terms above mentioned, and provided all the holders of the 575 guaranteed shares of the present Company accept one share of Rs.250 in the new Company in exchange for every five guaranteed shares held by them in the present Company, are also willing to guarantee a dividend of 12 per cent upon every such share of Rs.250 so taken in exchange for five such guaranteed shares. Such guarantee to continue for the residue of the period for which interest has been guaranteed by Messrs. James Scott and Co. In reference to this proposed guarantee however it must be borne in mind that if the Company makes a profit of 12 per cent or upwards in any one year, whether such profit is or is not wholly applied in payment of a dividend, the liability of Messrs. P. Chrystal and Co. under their guarantee for that year will cease, and also that if in any year a profit of less than 12 per cent is made Messrs. P. Chrystal and Co. will only be responsible under their guarantee for that year to make good the difference between the profit so made and the said 12 per cent, whether such profit is or is not wholly applied in payment of dividend.

Messrs. P. Chrystal and Co. have consented to give this guarantee at the special request of Messrs. James Scott and Co. and in substitution for the guarantee given by Messrs. James Scott and Co. which, of course, will cease. Messrs. P. Chrystal and Co. however are not prepared to give any collateral security for the performance of their guarantee, and Messrs. Scott and Co.'s shares, now lodged in the Bank of Bangalore, be returned to them as they will be no longer Agents of the Company.

It is for the guaranteed shareholders to consider whether they will assist in the reconstruction of the Company by taking one guaranteed share in the new Company in exchange for every five guaranteed shares held by them in the present Company, or whether by refusing to do so, they may not lose the whole value of their guaranteed shares. The alternative to reconstruction is the liquidation of the Company and the sale of its assets for cash. It is for the guaranteed shareholders to consider what legal value the guarantee would be to them under such circumstances.

The directors are in a position to state that Colonel LeMessurier, who holds about half the guaranteed shares, is willing that the nominal value of the guaranteed shares held by him should be reduced by one half, and is also willing to take in exchange guaranteed shares of a similar reduced nominal value in a new Company of which Messrs. P. Chrystal and Co. are to be the Agents, and Mr. A. J. Molloy, Director, Bangalore, who is Attorney and Proxie-holder for Colonel LeMessurier, who is now in England, highly approves of the whole scheme and has no doubt whatever in stating that Colonel LeMessurier on receipt of the circular and resolutions, will give it his best support. Colonel LeMessurier holds Rupees 30,000 in Debentures, 249 Guaranteed Shares and 65 Ordinary Shares.

Considerable difficulty has been experienced in financing the Company in Bangalore, owing to the absence of local Banks, and the high rate of interest charged by the Madras Bank. Moreover Bankers in Bombay will not advance money to the Company because its registered office is not in the Bombay Presidency. If the registered office at the Company were in Bombay it would be easy to obtain loans from Bankers on reasonable terms. Moreover, in Bombay, there would be no difficulty in finding persons of means and position and having experience in Mill management, to join the Board. These are some of the reasons why it is thought expedient to have the Registered Office in Bombay. Shareholders should also observe that the retiring Agents have given up their quarter-anna commission which equals Rupees 25,000 per annum, which in itself secures a very good dividend to the new Company on the reduced capital.

The Mysore Government intimated its willingness to release the present Company from the mortgage for Rs.2,15,000 held by the Mysore State upon the land, buildings, and machinery of the Company, and to accept a similar mortgage from the new Company and approves of the scheme as well as the new Agents, Messrs. Scott and Co, having refused to act any longer, having no time to attend to the Company's business.

It is hoped that the holders of the debentures for Rs.2,50,000, secured by a mortgage on the same property, will also consent to release the present Company from all liability under their mortgage, and will accept a similar security from the present Company; unless they do so, or unless a loan is raised by the new Company to pay off the present debenture loan, the present scheme cannot be carried out.

The Directors confidently hope that the debenture holders will raise no difficulty in the way of the reconstruction of the Company, as the position of the debenture holders could be no worse, but on the contrary would probably be much improved, by adopting the reconstruction scheme and accepting debentures from the new Company in exchange for the debentures which they now hold. The same security would of course be given to the debenture holders by the new Company as they now hold from the old. The debenture holders must bear in mind that if the Company's Mill property were sold in liquidation, the probability is that after paying off the mortgage held by the Mysore Government the net proceeds of sale might not be sufficient to pay off the debenture holders in full.

The Transfer Books of the Company will be closed from Saturday, the Thirtieth day of September to Saturday, the Twenty-eighth day of October 1893, inclusive.

Dated at Bangalore, this Eleventh day of September 1893.

By Order of the Board,

J. SCOTT & CO.,

Agents.

The Maharajah of Mysore Spinning and Manufacturing Company, Limited.

CIRCULAR TO SHAREHOLDERS.